

106TH CONGRESS
1ST SESSION

H. R. 622

To amend the Internal Revenue Code of 1986 to exclude from gross income rewards received by reason of providing information leading to the conviction of a crime to the extent that the reward is used to compensate victims of crime.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 8, 1999

Mr. HOUGHTON (for himself, Mr. McNULTY, Mr. TOWNS, Mr. LaFALCE, Mr. FROST, Mr. KING, Mr. NEAL of Massachusetts, Mr. HAYWORTH, Mr. HINCHEY, Mr. HINOJOSA, and Mr. WAXMAN) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to exclude from gross income rewards received by reason of providing information leading to the conviction of a crime to the extent that the reward is used to compensate victims of crime.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. EXCLUSION FROM INCOME OF CERTAIN RE-**
2 **WARDS USED TO COMPENSATE VICTIMS OF**
3 **CRIME.**

4 (a) IN GENERAL.—Part III of subchapter B of chap-
5 ter 1 of the Internal Revenue Code of 1986 (relating to
6 items specifically excluded from gross income) is amended
7 by redesignating section 139 as section 140 and by insert-
8 ing after section 138 the following new section:

9 **“SEC. 139. CERTAIN REWARDS USED TO COMPENSATE VIC-**
10 **TIMS OF CRIME.**

11 “(a) IN GENERAL.—Gross income shall not include
12 an amount received as a reward for providing information
13 leading to a conviction of a crime to the extent such
14 amount is used for a qualified purpose within 1 year after
15 the date such amount is received.

16 “(b) QUALIFIED PURPOSE.—For purposes of sub-
17 section (a)—

18 “(1) IN GENERAL.—The term ‘qualified pur-
19 pose’ means making payments to—

20 “(A) the victims (or their families) of the
21 crime to which the reward relates,

22 “(B) an irrevocable trust established exclu-
23 sively for the benefit of such victims and their
24 families, or

25 “(C) an organization which is described in
26 section 501(c)(3) and exempt from tax under

1 section 501(a) and the principal purpose of
 2 which is to provide compensation to victims of
 3 crime.

4 “(2) ATTORNEYS FEES ELIGIBLE IF VICTIMS
 5 RECEIVE PORTION OF REWARD.—Such term includes
 6 payments to the taxpayer’s attorneys for attorneys’
 7 fees incurred by the taxpayer in connection with the
 8 case if substantially all of the reward (other than
 9 amounts paid to such attorneys) is paid for a quali-
 10 fied purpose described in paragraph (1).

11 “(c) SPECIAL RULES.—In the case of a payment by
 12 the taxpayer which is taken into account under subsection
 13 (b)—

14 “(1) no deduction shall be allowed under this
 15 title for such payment, and

16 “(2) such payment shall not be treated as a gift
 17 for purposes of subtitle B.”

18 (b) CLERICAL AMENDMENT.—The table of sections
 19 for part III of subchapter B of chapter 1 of such Code
 20 is amended by striking the last item and inserting the fol-
 21 lowing:

 “Sec. 139. Certain rewards used to compensate victims of crime.
 “Sec. 140. Cross references to other Acts.”

22 (c) EFFECTIVE DATE.—The amendments made by
 23 this section shall apply to rewards received after December
 24 31, 1997. In no event shall the 1-year period referred to

1 in section 139(a) of the Internal Revenue Code of 1986
2 (as added by this section) expire before the 60th day after
3 the date of the enactment of this Act.

